

## SENATE BILL No. 97

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### DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 5-10.2-2-19; IC 5-10.3; IC 21-6.1-3.

**Synopsis:** Trustees of pension funds. Adds the director of the budget agency or the director's designee to the boards of trustees of the public employees' retirement fund (PERF) and the teachers' retirement fund (TRF). Requires the state board of accounts to annually audit PERF and TRF operating costs.

**Effective:** July 1, 2004.

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**Lubbers**

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January 6, 2004, read first time and referred to Committee on Pensions and Labor.

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Introduced

Second Regular Session 113th General Assembly (2004)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2003 Regular Session of the General Assembly.

## SENATE BILL No. 97

A BILL FOR AN ACT to amend the Indiana Code concerning pensions.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 5-10.2-2-19 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
3 1, 2004]: **Sec. 19. Notwithstanding any other provision of this**  
4 **article, for years beginning after June 30, 2004, the state board of**  
5 **accounts shall audit the fund's operating costs annually.**

6       SECTION 2. IC 5-10.3-3-1, AS AMENDED BY P.L.246-2001,  
7 SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
8 JULY 1, 2004]: Sec. 1. (a) The board is composed of **six (6) trustees.**

9       **(b) Five (5) of the trustees shall be appointed by the governor, as**  
10 **follows:**

11       (1) One (1) ~~of whom~~ must be a member of the fund with at least  
12 ten (10) years of creditable service.

13       (2) Not more than three (3) ~~of whom~~ may be members of the same  
14 political party. ~~and~~

15       (3) One (1) ~~of whom~~ must be:

16       (A) a member of a collective bargaining unit of state  
17 employees represented by a labor organization; or

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(B) an officer of a local, a national, or an international labor union that represents state employees.

**(c) The director of the budget agency or the director's designee is an ex officio voting member of the board.**

~~(b)~~ **(d)** The governor shall fill by appointment vacancies on the board in the manner described in subsection ~~(a)~~ of this section: **(b)**.

~~(c)~~ **(e)** In making the appointments under subsection ~~(a)~~; **(b)**, the governor may consider whether at least one (1) trustee is a retired member of the fund.

SECTION 3. IC 5-10.3-3-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 4. **(a) Each trustee who is not a state officer or employee is entitled to receive both of the following:**

**(1)** Compensation of four hundred fifty dollars (\$450) on October 1, January 1, April 1, and June 30. ~~In addition, the board shall reimburse each trustee~~

**(2) Reimbursement** for necessary expenses **actually** incurred through service on the board.

**(b) Each trustee who is a state officer or employee is entitled to reimbursement for necessary expenses actually incurred through service on the board.**

SECTION 4. IC 5-10.3-3-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 6. ~~Voting; Quorum.~~ ~~Three (3)~~ **Four (4)** trustees constitute a quorum for the transaction of business. Each trustee is entitled to one (1) vote on the board. A majority vote is sufficient for adoption of a resolution or other action at regular or special meetings.

SECTION 5. IC 5-10.3-3-7, AS AMENDED BY P.L.119-2000, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 7. The board shall do all of the following:

**(1)** Appoint a director, subject to the approval of the governor.

**(2)** Appoint an actuary and employ or contract with employees, auditors, technical experts, legal counsel, and other service providers as it considers necessary to transact the business of the fund. ~~without the approval of any state officer.~~

**(3)** Fix the compensation of persons:

**(A)** appointed or employed by the board; or

**(B)** who contract with the board.

**(4)** Establish a general office in Indianapolis for board meetings and for administrative personnel.

**(5)** Provide for the installation in the general office of a complete system of books, accounts including reserve accounts, and records

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in order to give effect to all the requirements of this article and to assure the proper operation of the fund.

(6) Provide for a report at least annually, before June 1, to each member of the amount credited to him in the annuity savings account in each investment program under IC 5-10.2-2.

(7) With the advice of the actuary, adopt actuarial tables and compile data needed for actuarial studies which are necessary for the fund's operation.

(8) Act on applications for benefits and claims of error filed by members.

(9) Have the accounts of the fund audited annually by the state board of accounts.

(10) Publish for the members a synopsis of the fund's condition.

(11) Adopt a budget on a calendar year or fiscal year basis that is sufficient, as determined by the board, to perform the board's duties and, as appropriate and reasonable, draw upon fund assets to fund the budget.

(12) Expend money, including income from the fund's investments, for effectuating the fund's purposes.

(13) Establish personnel programs and policies for its employees.

(14) Submit a report of its activities each year to the governor, the pension management oversight commission, and the budget committee before November 1 of each year. The report under this subdivision must set forth a complete operating and financial statement covering its operations during the most recent fiscal year, including information on the following:

(A) Investment performance.

(B) Investment and administrative costs as a percentage of assets under management.

(C) Investment asset allocation strategy.

(D) Member services.

(E) Member communications.

(15) Establish a code of ethics or decide to be under the jurisdiction and rules adopted by the state ethics commission.

SECTION 6. IC 5-10.3-4-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 2. ~~The Auditor of State.~~ The auditor of state shall draw warrants upon the treasurer of state in payment of properly prepared vouchers signed by:

(1) a trustee of the fund, **or except for the director of the budget agency or the director's designee;**

(2) the director; or

(3) an assistant designated by the director;

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as may be designated by the board.

SECTION 7. IC 21-6.1-3-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 1. ~~Composition;~~ ~~Appointment:~~ (a) The board of trustees is composed of ~~five (5)~~ **six (6)** persons.

(b) **Five (5) of the trustees shall be** appointed by the governor. Not less than two (2) of ~~whom are the trustees appointed by the governor~~ **must be** members of the fund. The governor shall make these appointments after June 30 and before July 16 each year.

(c) **The director of the budget agency or the director's designee is an ex officio voting member of the board.**

SECTION 8. IC 21-6.1-3-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 4. (a) On the board's order:

(1) the trustees **who are not state officers or employees** shall receive the same per diem, mileage, and travel allowances paid to members of the general assembly serving on interim study committees established by the legislative council; **and**

(2) **the trustees who are state officers or employees shall receive the same mileage and travel allowances paid to members of the general assembly serving on interim study committees established by the legislative council.**

These costs shall be paid from resources at the disposal of the fund.

(b) Special meetings may be conducted on the call of the president or on the signed call of three (3) trustees.

(c) A majority of the board constitutes a quorum at any meeting for transacting business.

SECTION 9. IC 21-6.1-3-6, AS AMENDED BY P.L.119-2000, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 6. (a) Each trustee shall give bond as specified periodically by the state board of finance.

(b) The board shall do all of the following:

(1) Act on each application for benefits.

(2) Provide the necessary forms for administering the fund.

(3) Establish records and accounts, which provide the necessary information for an actuary's examination and which are sanctioned by the state board of accounts.

(4) Maintain individual records for each member of the fund containing:

(A) the member's name;

(B) date of birth;

(C) age at beginning service;

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- 1 (D) service record;
- 2 (E) address;
- 3 (F) the member's contributions to the fund;
- 4 (G) amounts withdrawn;
- 5 (H) benefits paid; and
- 6 (I) other items considered necessary.
- 7 (5) Employ or contract with employees, auditors, technical
- 8 experts, legal counsel, and other service providers as it considers
- 9 necessary to transact the business of the fund, ~~without the~~
- 10 ~~approval of any state officer~~, and fix their compensation.
- 11 (6) Make rules as are required to administer the fund.
- 12 (7) Publish for the members' information a synopsis of the fund's
- 13 condition.
- 14 (8) Provide for a report at least annually, before June 1, to each
- 15 member of the value of the amount credited to the member in the
- 16 annuity savings account in each investment program under
- 17 IC 5-10.2-2.
- 18 (9) Provide for the installation in the general office of a complete
- 19 system of books, accounts (including reserve accounts), and
- 20 records in order to give effect to all the requirements of this
- 21 article and to ensure the proper operation of the fund.
- 22 (10) Appoint an actuary.
- 23 (11) With the advice of the actuary, adopt actuarial tables and
- 24 compile data needed for actuarial studies that are necessary for
- 25 the fund's operation.
- 26 (12) Adopt a budget on a calendar year or fiscal year basis that is
- 27 sufficient, as determined by the board, to perform the board's
- 28 duties and, as appropriate and reasonable, draw upon fund assets
- 29 to fund the budget.
- 30 (13) Expend money, including income from the fund's
- 31 investments, for effectuating the fund's purposes.
- 32 (14) Establish personnel programs and policies for its employees.
- 33 (15) Submit a report of its activities each year to the governor, the
- 34 pension management oversight commission, and the budget
- 35 committee before November 1 of each year. The report under this
- 36 subdivision must set forth a complete operating and financial
- 37 statement covering its operations during the most recent fiscal
- 38 year, including information on the following:
- 39 (A) Investment performance.
- 40 (B) Investment and administrative costs as a percentage of
- 41 assets under management.
- 42 (C) Investment asset allocation strategy.

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- 1 (D) Member services.
- 2 (E) Member communications.
- 3 (16) Establish a code of ethics or decide to be under the
- 4 jurisdiction and rules adopted by the state ethics commission.

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